DEC 2
MICHAEL RODAK,

IN THE

Supreme Court of the United States

OCTOBER TERM, 1974

No. 74-447

SAUQUOIT FIBERS COMPANY, INC., *Petitioner*,

v.

LEESONA CORPORATION, THE PERMATWIST COMPANY, WARREN A. SEEM, FREDERICK D. TECCE, NICHOLAS J. STODDARD AND HAROLD J. BERGER, *Respondents*.

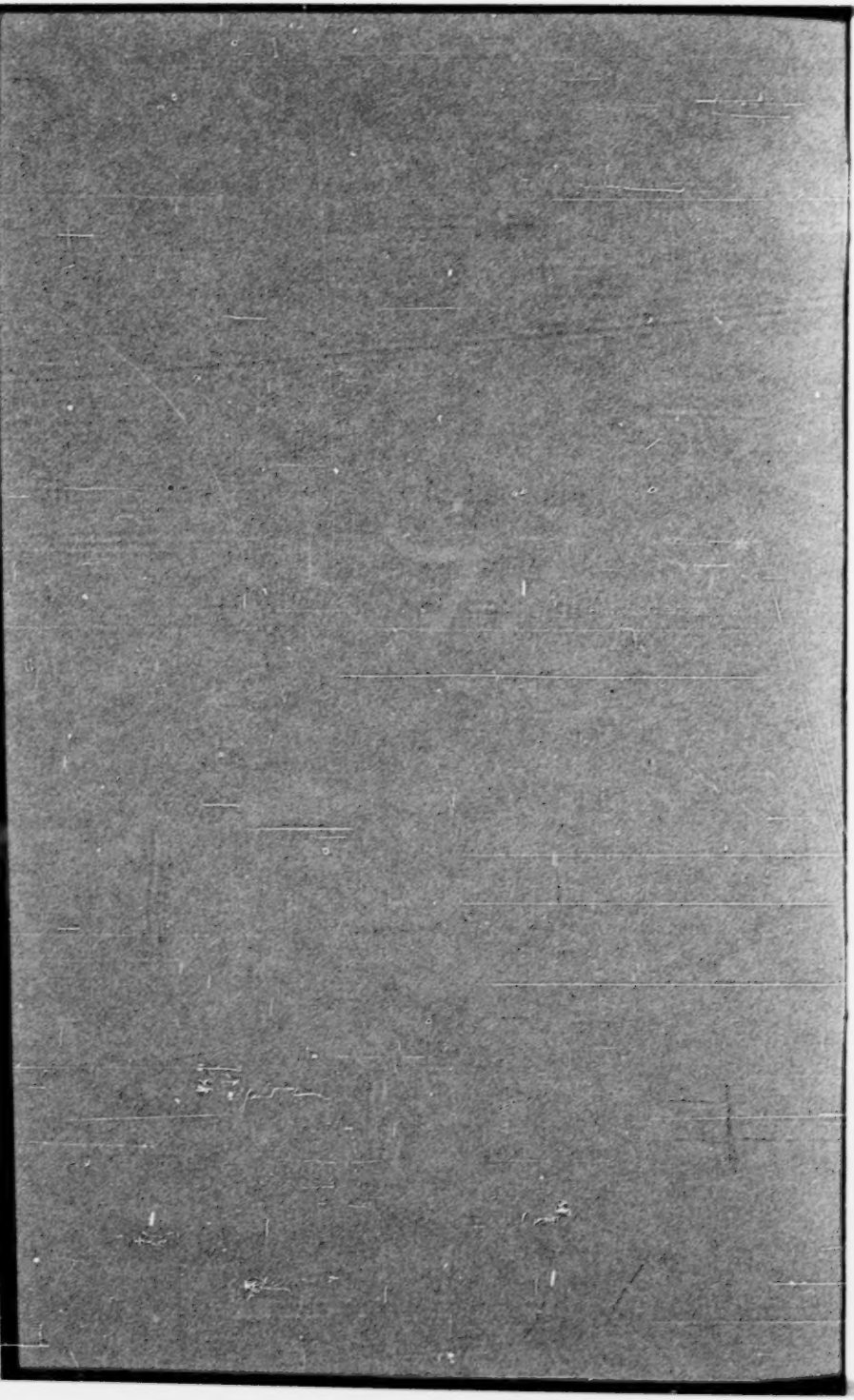
PETITIONER'S REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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I. INTRODUCTION

Respondents'[1] efforts to demonstrate that this case is not ripe for review fall short. The paramount considerations favoring review remain undisturbed.

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[1] The term "respondents" as used herein without further identification refers collectively to those respondents named in the caption.

The District Court below held that on undisputed facts a *prima facie* public use and on sale *for purposes of trade and profit* prior to the critical date was fully established—indeed conceded. The Court of Appeals did *not* disturb that *prima facie* finding, but reversed *solely* on the basis that the experimental use *exception* remains in factual dispute. The case is thus in an ideal posture to serve as a vehicle for this Court to decide as a matter of controlling law whether an experimental purpose *in addition* to a substantial *profit* motive can avoid the invalidating consequences of a public use and sale. The circuit courts of appeal are in hopeless conflict on that very legal issue. Moreover, in *this action,* at least four different circuits must pass upon the same issue upon remand for trial of the many multi-district cases which comprise the consolidated proceeding.[2] Clarification by this Court of its 96 and 87 year old decisions in *Elizabeth*[3] and *Smith and Griggs*[4] is urgently needed *now.* It is needed both for the *present* guidance of the several circuits which will consider this case, and the *future* guidance of all of the federal courts on a frequently arising, critical issue of patent law.

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[2] Respondents gain no mileage from the circumstance that "the many other co-parties" below did not file petitions. (Resp. 1, 2.) The co-parties below are automatically parties in this Court and have filed a persuasive brief in support of the petition. Nothing could have been gained by the needless duplication of multiple petitions.

[3] *Elizabeth* v. *American Nicholson Pavement Co.*, 97 U.S. 126, 24 L.Ed. 1000 (1878).

[4] *Smith & Griggs Mfg. Co.* v. *Sprague*, 123 U.S. 249, 31 L.Ed. 141 (1887).

II. LEESONA'S "STATEMENT OF THE CASE" IS NOT GERMANE

The material facts which were found to be undisputed by the District Court below are set forth in the petition. (Pet. 4-6.) The Court of Appeals *left undisturbed* the undisputed facts which conclusively establish (aside from the experimental use *exception*) that the invention was in public use and on sale *for purposes of trade and substantial profit* prior to the critical date. The Court of Appeals reversed *solely* on the premise that the respondents had demonstrated the existence of a dispute of fact as to whether the inventors had an experimental motive. The existence of a substantial *profit* motive has never been disputed either by the Court of Appeals or indeed by respondents either before the Courts below or in their brief filed in this Court.

Respondents' alleged "factual background" is fundamentally a dubious argument on the merits in an attempt to establish the existence of an experimental motive. However, the existence of an experimental motive is assumed arguendo in the first question presented for review. Therefore, petitioner will not burden the Court in this reply brief with a detailed discussion of respondents' "factual background".

At this time we merely urge the Court, in any consideration of respondents' "factual background", to look to the cited *record* rather than to counsel's distorted and inaccurate conclusions.

For example, the crucial Permatwist-Synfoam agreement of December 1952 is dealt with in respondents' "fact" No. 19. (Resp. 12.) Respondents have embellished the words of the agreement in several at-

tempts to create self-serving inferences contrary to fact.

First, respondents state that the agreement required Permatwist "to obtain *parts*" for the machines. (Resp. 12.) Fortunately, the cited portion of the agreement is printed in the appendix to the petition. (Pet. A-69-72.) What the agreement *in fact* requires is the Licensors

> "to procure for the Licensee . . . improved spindles *or* parts therefor . . . the cost to the Licensee per improved spindle *or* part to be as low as the cost to anyone else with whom the Licensors deal at the time". (R. 367, Pet. A-71.) [5]

The agreement expressly defines "the invention" as *the improved spindle.* The agreement states:

> "the *invention* includes a spindle, an electric heating unit, a yarn tension device and auxiliary equipment . . . which spindle, unit, device and equipment are herein *collectively* hereafter referred to as *the improved spindle*". (R. 364, Pet. A-69.)

Respondents also state that "Permatwist was given the right to buy and remove the machines installed by Synfoam" (Resp. 12, 25). The fact which respondents do *not* tell the Court is that such right was given *only in the event of cancellation* of the agreement by the Licensee Synfoam. (R. 385.)

Still further, respondents attempt to create some self-serving inference by referring to "profit resulting from the *future* sale of yarn" (Resp. 12, 25). "Fu-

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[5] Unless othewise indicated, all emphasis in quotations is supplied.

ture" is but another subtle embellishment of counsel. The agreement provides:

> "Licensee will pay the Licensors . . . one-half of all the profits . . . .
>
> "The profits referred to shall be the net profits of the Licensee from the processing of yarn on the improved spindles or from the sale of yarn processed on the improved spindles." (R. 368-69.) [6]

In a flatly inaccurate statement, respondents state that

> "Permatwist granted the *first commercial license* for use of the false twist invention to G. H. Heath and Company of Macclesfield, England, on March 22, 1954." (Resp. 14-15.)

That conclusion of counsel should be contrasted with the following *sworn* statement of the *inventor* Seem and his partner Berger:

> "(c) . . . that [British Nylon Spinners] had been obliged to release their incomplete development because of our fait accompli—our successful licensing of a *highly satisfactory finished* machine and processing methods . . .
>
> "(d) that in United States we had secretly disclosed *our complete* machine to our *first* licensee [Synfoam] on *May 20, 1952.*" (R. 2398.)

Respondents' brief is permeated with similar inaccuracies.

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[6] The word "profit" appears nineteen times in the same paragraph of the agreement. (R. 368.) Not once does "*future* profit" appear. One of the inventors co-owners testified that *profit* was the "*focal* point" and "the main thing" of the agreement. (R. 774.)

III. THE CONFLICT WITH THE DECISIONS OF THIS COURT AND OTHER CIRCUITS IS REAL

Respondents' attempt to deny the existence of a conflict between the decision below and the decisions of other circuits and this Court will not bear scrutiny. In reality, respondents merely argue in favor of the side of the conflict adopted by the Court of Appeals below. In attempting to support the Court of Appeals' construction of *Smith and Griggs,* respondents not only present a bobtailed quote from that case (Resp. 20), but ignore this Court's clarifying decisions in *International Tooth Crown,*[7] *Egbert,*[8] and *Electric Storage Battery.*[9] Those cases are accurately characterized in the petition. (Pet. 12-14.)

Respondents also resort to bobtailed and out of context quotes from the conflicting circuit court decisions. Carefully omitted from respondents' presentation is the statement in *Pickering* v. *Holman,* 459 F.2d 403, 406 (9th Cir. 1972) that:

> "A bona fide experimental use involves *no* commercial exploitation. The use of an invention *ceases to be experimental* when the motivation of the inventor is to exploit the invention and gain a competitive advantage over others." (See Pet. 9-10.)

In so holding, the Court in *Pickering* specifically said that:

> "for purposes of this appeal . . . we assume that the patentees' *profits were merely incidental to experimentation*".

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[7] *International Tooth Crown Company* v. *Gaylord,* 140 U.S. 55, 35 L.Ed. 347 (1891).

[8] *Egbert* v. *Lippmann,* 104 U.S. 333, 26 L.Ed. 755 (1881).

[9] *Electric Storage Battery Co.* v. *Shimadzu,* 307 U.S. 5, 83 L.Ed. 1071 (1938).

Nothing could demonstrate a squarer conflict with the "weighing of two motives" test of the Court below.

Respondents ignore the statement from *Dart Industries Inc.* v. *E. I. duPont De Nemours and Co.*, 498 F.2d 1359, 1366 (7th Cir. 1973) that:

> "But the [experimental] exception is narrowly construed, and the use must be *solely* for experimental purposes." (Emphasis by the Court.)

Respondents ignore the statement in *Koehring Co.* v. *National Automatic Tool Co.*, 362 F.2d 100, 103 (7th Cir. 1966) that:

> "An inventor may not be permitted to use a period of experimentation as a competitive tool". (Pet. 9, 11.)

Respondents quote from *Minnesota Mining and Mfg. Co.* v. *Kent Industries, Inc.*, 409 F.2d 99, 100 (6th Cir. 1969) as follows:

> "A noted exception to this statutory bar is where the prohibited activities are *substantially* for purposes of experiment". (Resp. 21, Emphasis by respondent.)

The Court is invited to compare respondents' shortened quote with the full statement from *Minnesota Mining* which is as follows:

> " 'The purpose of the 1-year statutory bar is to prevent an inventor from obtaining *profits* on his invention for a number of years and then at a later date obtaining a patent.' Ushakoff v. United States, 164 Ct. Cl. 455, 327 F.2d 669, 672 (1964). A noted exception to this statutory bar is where the prohibited activities are 'substantially for purposes of experiment.' Smith & Griggs Mfg. Co. v. Sprague, 123 U.S. 249, 256, 8 S.Ct. 122, 31 L.Ed. 141 (1887). 3-M had the burden of proving that its activities prior to September 7, 1942, were *solely*

part of an experimental program." (409 F.2d 99, 100.)

Such *ratio decidendi* by the several circuits cannot be so lightly dismissed as "loose dicta". (Resp. 21.) Those authoritative decisions are in full accord with this Court's own interpretation of *Elizabeth* and *Smith and Griggs* that the experimental use exception is conditioned upon "*purely* experimental" activities with "*no* compensation". *International Tooth Crown Co.* v. *Gaylord,* 140 U.S. 55, 63, 35 L.Ed. 347, 350 (1891). (See Pet. 13.)

Even respondents admit the conflict with *Robbins Co.* v. *Lawrence Mfg. Co.,* 482 F.2d 426 (9th Cir. 1973). (Resp. 24-26.) However, respondents argue that the *Robbins* rule, if applied to our case, would not lead to a different result. That self-serving conclusion is based upon the reference in the *Robbins* decision to *secrecy.* But it is the uniform law of the federal courts, *expressly adopted* by the Court of Appeals below, that where the public use or sale is attributable to the *inventors themselves* rather than third parties, secrecy is immaterial. The Court below said:

> "Public use may be established either by showing a nonsecret, nonexperimental use [by anyone] of the invention prior to the critical date. Pennock v. Dialogue, 1829, 27 U.S. (2 Pet.) 1, 7 L.Ed. 327; Smith & Griggs Manufacturing Co. v. Sprague, 1887, 123 U.S. 249, 8 S.Ct. 122, 31 L.Ed. 141, or by establishing that *the inventor himself* has used the invention primarily for trade and profit prior to the critical date *whether the use is secret or not,* Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co., 2 Cir. 1946, 153 F.2d 516, cert. denied, 328 U.S. 840, 66 S.Ct. 1016, 90 L.Ed. 1615; Huszar v. Cincinnati Chemical Works, 6 Cir. 1949, 172 F.2d 6." (498 F.2d 271, 277 (5th Cir. 1974), Pet. A-8.)

IV. REVIEW NOW IS APPROPRIATE DESPITE NON-FINALITY

As set forth in the petition there are sound reasons why the petition should be granted despite the non-finality of the decision below. (Pet. 19-20.) Respondents do not and cannot dispute those reasons, but quote from cases dealing with entirely different circumstances. In particular, respondents ignore the fact that the present consolidated cases in this appeal ultimately will be remanded to four different circuits for trial.[10]

V. THE ISSUES ALLEGED TO BE "INDEPENDENT GROUNDS" BY RESPONDENTS ARE ALL SUBORDINATE TO THE EXPERIMENTAL USE ISSUE

Each of the alleged errors of the District Court (Resp. 23-24) relate directly to and are subordinate to the experimental use issue.

VI. THE ISSUES PRESENTED FOR REVIEW DO NOT ASSUME FACTS WHICH REMAIN IN DISPUTE

Respondents state that the questions presented assume

> "[1] the inventor himself has demonstrated his invention in commercial production to operate in its intended manner to produce highly satisfactory results and [2] has placed the invention in public

[10] The fact that appeals are pending from the granting of other summary judgment motions does not change the fact that this case is now ripe for review and provides an ideal vehicle for this Court to pronounce badly needed law to resolve deep and lasting conflicts. Respondents' statement that the case "*has been* remanded" is misleading. As respondents well know, the issuance of the mandate has been stayed. By an error of the Clerk, the mandate was issued as to *some* parties, not including petitioner. At respondents' vigorous demand, the mandate was recalled by the Court a full week before respondents filed their brief.

use and on sale [3] for purposes of substantial trade and profit". (Resp. 17)

Respondents assert that each of "these assumptions" are disputed.

As already stated, the quoted facts were squarely found to be *undisputed* by the District Court below. Not one of these facts was disturbed by the Court of Appeals. The reversal by the latter Court was grounded *solely* upon the experimental use exception.

Indeed, it is difficult to conceive how any one of the quoted facts could possibly be in dispute. The facts set forth in the petition at pages 4-6 are fully supported by citations to the record. In contrast, respondents base their argument for a "dispute" not on the record, but on the bare conclusionary assertions of counsel of the existence of a dispute. (Resp. 17-18.)

VII. CONCLUSION

For the reasons set forth in this reply brief, the petition and the brief in support of the petition filed on behalf of respondents The Duplan Corporation et al and Kayser-Roth Corporation et al, the petition should be granted.

Respectfully submitted,

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